FCC PUBLIC MEETING

Universal Service Fund Contribution Methodology

Michael Altschul
Senior Vice President, Policy & Administration, and General Counsel
Cellular Telecommunications & Internet Association

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The IXC Coalition Proposal

- Contributions would be assessed based on the number and capacity of connections provided by a carrier instead of on a per revenue basis.
- Residential, single-line business, and mobile wireless connections would be assessed a flat-fee of $1.00 per connection per month
- Paging connections would be assessed $0.25 per connection.
- Remaining universal service needs would be recovered through capacity-based assessments on multi-line business connections.

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The Proposal Is Unlawful

- The proposal violates section 254(d) of the Communications Act ("Act"), as amended because it excludes interexchange carriers, who currently constitute 63% of the federal Universal Service Fund ("USF") assessments.

- The proposal also fails the legal requirements established by the U.S. Court of Appeals for the Fifth Circuit, which concluded that Section 2(b) of the Act, read in conjunction with Section 254(d), prohibits the FCC from adopting a contribution mechanism that includes intrastate revenues in the calculation of USF contributions.

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The Proposal Is Unfair

- The proposal places a disproportional funding burden on low-volume users in order to subsidize the largest consumers of telecommunications services.
- The proposal is neither equitable nor nondiscriminatory.
- The proposal is particularly problematic to prepaid wireless customers and to the millions of customers who subscribe to the "peace of mind" tier of wireless service offerings primarily for occasional or emergency use.

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The Proposal Is Unnecessary

- To the extent that there is a funding "crisis" it has been triggered by the nearly threefold expansion of the Universal Service Fund, not by a reduction in the *supply* of support funds generated by the current system.

- Altering the funding system will create a new set of additional administrative burdens and uncertainties. Rather than simplifying the current contribution mechanism, the proposed connections-based funding system will impose a monthly reporting obligation on all carriers and require the creation of an entirely new system of complex allocations to implement the capacity-based charges to be recovered from multi-line business connections.

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What the FCC Should Do

- Reject the new funding proposal; and
- Maintain the current funding mechanism, including
- The “safe harbor” for CMRS carriers.

Conclusion

- CMRS carriers are willing to pay their fair share of the Universal Service Fund;
- But the law also requires "*every* telecommunications carrier that provides interstate telecommunications services" to contribute to the preservation and advancement of Universal Service "on an equitable and nondiscriminatory basis." 47 U.S.C. 254(d).